



Transit Service and Financing Strategy (2023-2032)

*Finance & Administration Committee
February 14, 2023*



Transit Service and Financing Strategy (2023-2032)

- Realizing the full benefits of transit in Durham over the next 10 years will require:
 - transit-supportive land use
 - increasing transit service levels
 - investing in new transit innovations, infrastructure and passenger amenities
 - modernizing DRT's fare structure
 - transition DRT fleet to zero emission technologies
- Given the current level of funding to DRT supports a significantly lower service level than comparator municipalities, a long-term Region investment strategy is needed
- Continued advocacy to senior governments for sustainable funding support will also be critical to achieving the transit vision outlined in this plan



Recommendations

- 10-year plan to phase investment in transit service enhancements, electrification, and new facilities and amenities be approved in principle subject to annual investment approvals through the business planning and budget process, and the plan be reviewed every four years or earlier
- Given the current level of funding to Durham Region Transit supports a significant lower service level than provided to comparators, a long-term commitment be made with annual incremental increases for DRT starting at approximately 2 per cent on the overall Regional tax levy with a goal to incorporate new funding opportunities to smooth annual tax levy impacts where possible
- That staff enhance advocacy for sustained, incremental, targeted funding from the Provincial and Federal governments to support identified funding gaps
- That the General Manager of Durham Region Transit and the Commissioner of Finance be authorized to implement a 2023 charter service rate
- That the proposed DRT Fare Structure be approved, establishing a base adult fare and associated discount or trip rates for each fare category
- That DRT fares be adjusted with a \$0.10 increase to the base fare to take effect on July 1, 2023

Transit is essential to Durham's future

- Strong indicators of ridership recovery as Durham emerges from the COVID-19 pandemic
- Transit plays a critical role connecting people to employment, education and tourism opportunities while helping vulnerable residents access essential services
- GO East extension and Durham-Scarborough Bus Rapid Transit construction are planned to be an economic catalyst creating jobs and transit-oriented development
- Investing in service will ensure transit is a real option, reducing wait times, reliance on personal vehicles, traffic congestion, and wear and tear on roadways
- Fleet electrification will showcase Durham's leadership through adoption of zero emission technologies





Land use is essential to transit's success

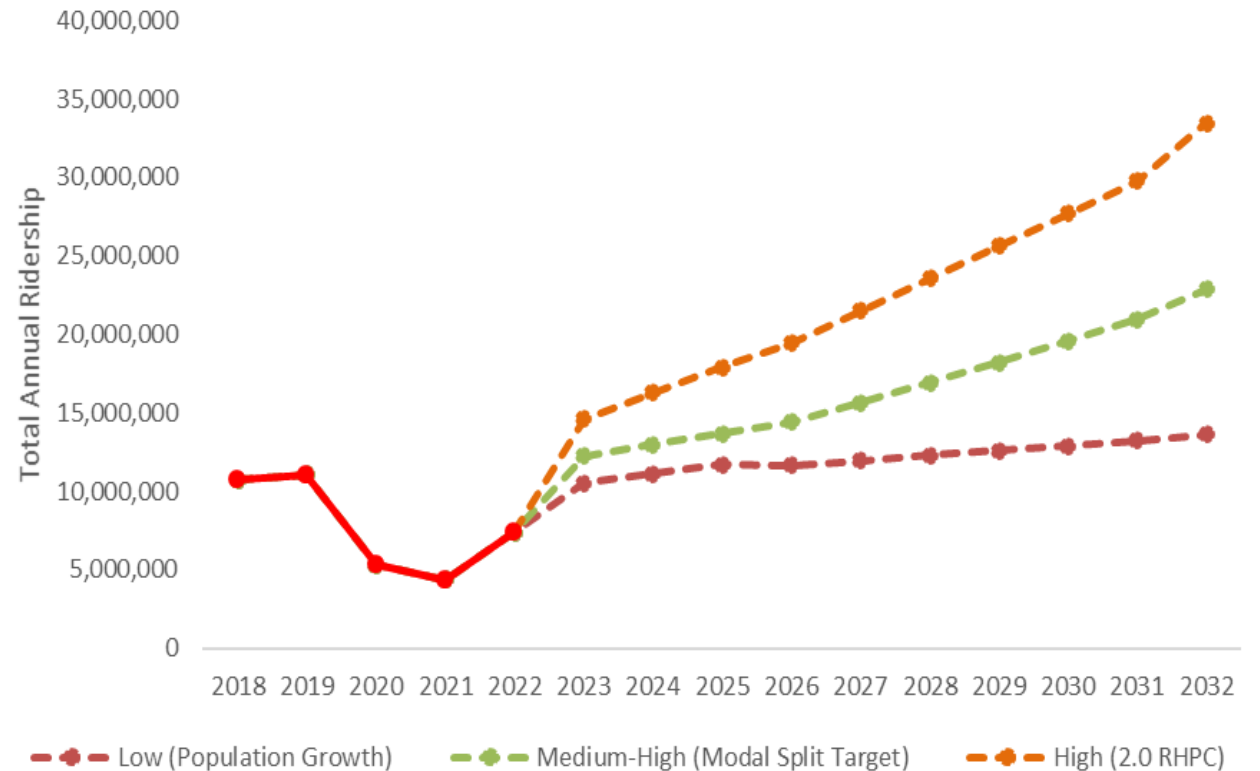
- DRT has the largest service area of any GTHA transit agency
- Land use policies are key to promoting and incentivizing growth at key transit corridors and stations
 - Ensures transit is in easy distance of where we live, work and shop
 - Grows transit demand while optimizing the use of existing infrastructure, strengthening the return on investment
- Low density greenfield expansions necessitate linear service extensions and new infrastructure increasing operating and capital costs for few passengers
 - Results in longer trips at lower service frequencies, requiring more fuel and fleet maintenance while generating limited fare revenue
 - Requires higher costs to deliver the same service levels, leading to higher property tax subsidies to be sustained or introduction of alternative service models (e.g., On Demand)
- DRT continues to work with Planning and Economic Development, Works, local municipal planning departments and Metrolinx on transit-supportive land use policies and decisions



Ridership Recovery and Outlook

- Transit ridership is expected to return to pre-pandemic levels within the next two years
- Need to decide today what Durham's transit future looks like in order to invest in service and infrastructure to meet demand:
 1. Equivalent to other peer jurisdictions
 2. Meet the targets of the Transportation Master Plan (TMP)
 3. Continue Route Ahead level service investments to maintain status quo

10 Year Ridership Forecast Model





Service Enhancements

- DRT has evolved from a series of small local operators to a large and integrated Regional transit system
- Durham is a dynamic region expected to approach 1 million people in next decade - customer expectations for transit are rising too
- Transit service enhancement is critical to Durham's economic competitiveness in ensuring employees and customers have access to frequent and reliable service
- Clear relationship between ridership and service hours delivered annually





Durham Transit Investment vs Peers

2019 Transit Investment Metrics for Durham Region and Peer Jurisdictions

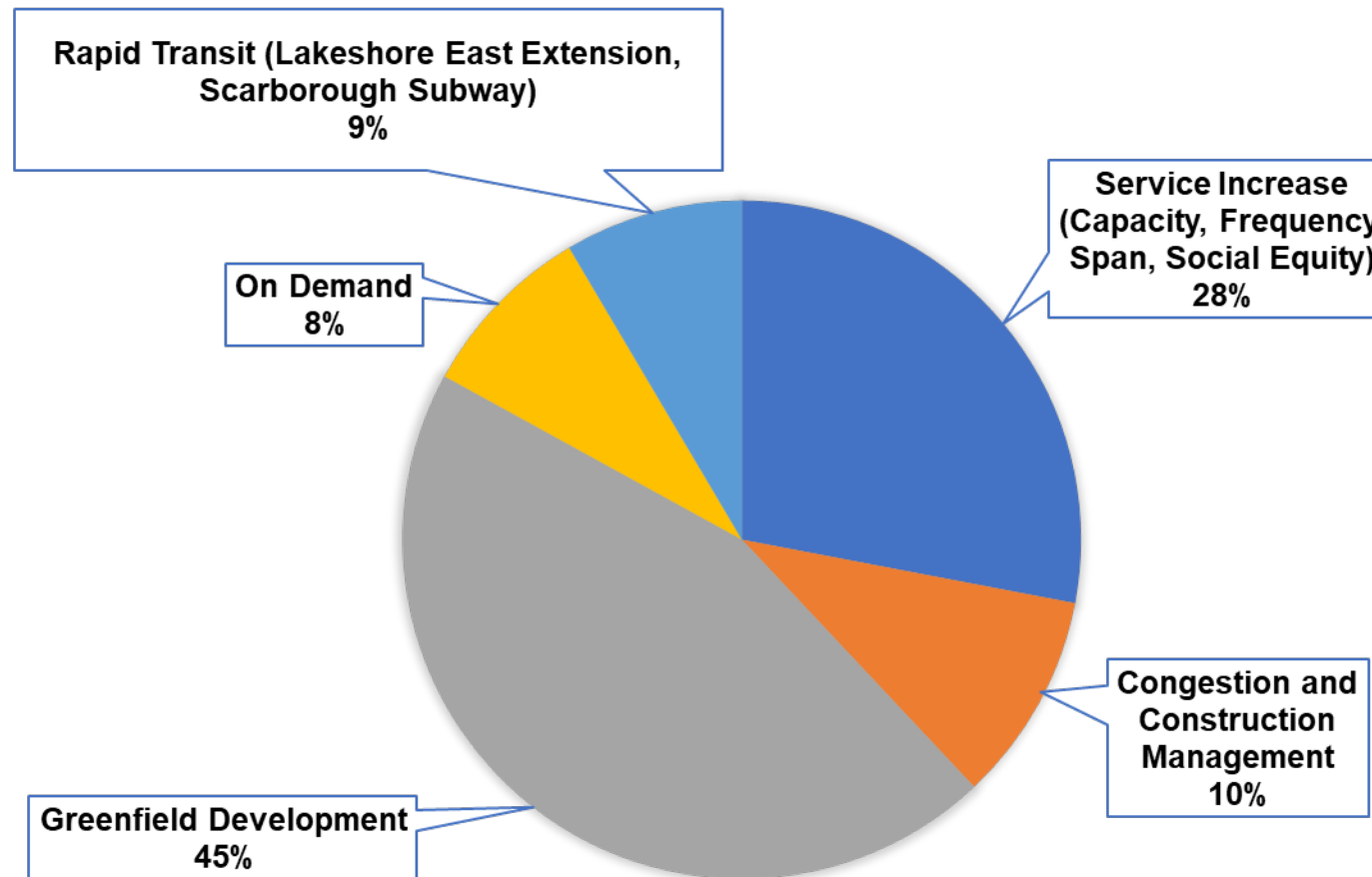
Key Metrics	Durham Region		Mississauga		Brampton		Waterloo Region		Hamilton		York Region	
	Data	Ranking	Data	Variance Durham	Data	Variance Durham	Data	Variance Durham	Data	Variance Durham	Data	Variance Durham
Service area population	610,789	4th	777,000	27%	633,710	4%	483,811	-21%	529,394	-13%	1,126,735	84%
Revenue vehicle hours	533,205	Last	1,582,745	197%	1,258,701	136%	832,765	56%	862,292	62%	1,269,462	138%
Municipal operating contribution per capita	\$80	Last	\$131	65%	\$109	36%	\$132	66%	\$99	24%	\$88	10%
Ridership	11,083,538	Last	41,170,554	271%	31,914,291	188%	21,964,989	98%	21,659,817	95%	22,467,539	103%
Revenue vehicle hours per capita	0.9	Last	2.0	122%	2.0	122%	1.7	89%	1.6	78%	1.1	18%

Source: Canadian Urban Transit Association

- DRT has historically trailed its peer transit agencies in per capita service investments, with some offering twice as much transit service for residents and businesses
- Durham ranks last in several key pre-pandemic metrics, including revenue vehicle hours per capita and annual ridership

2023-2032 Service Investment

Transit Service Plan (2023-2032)

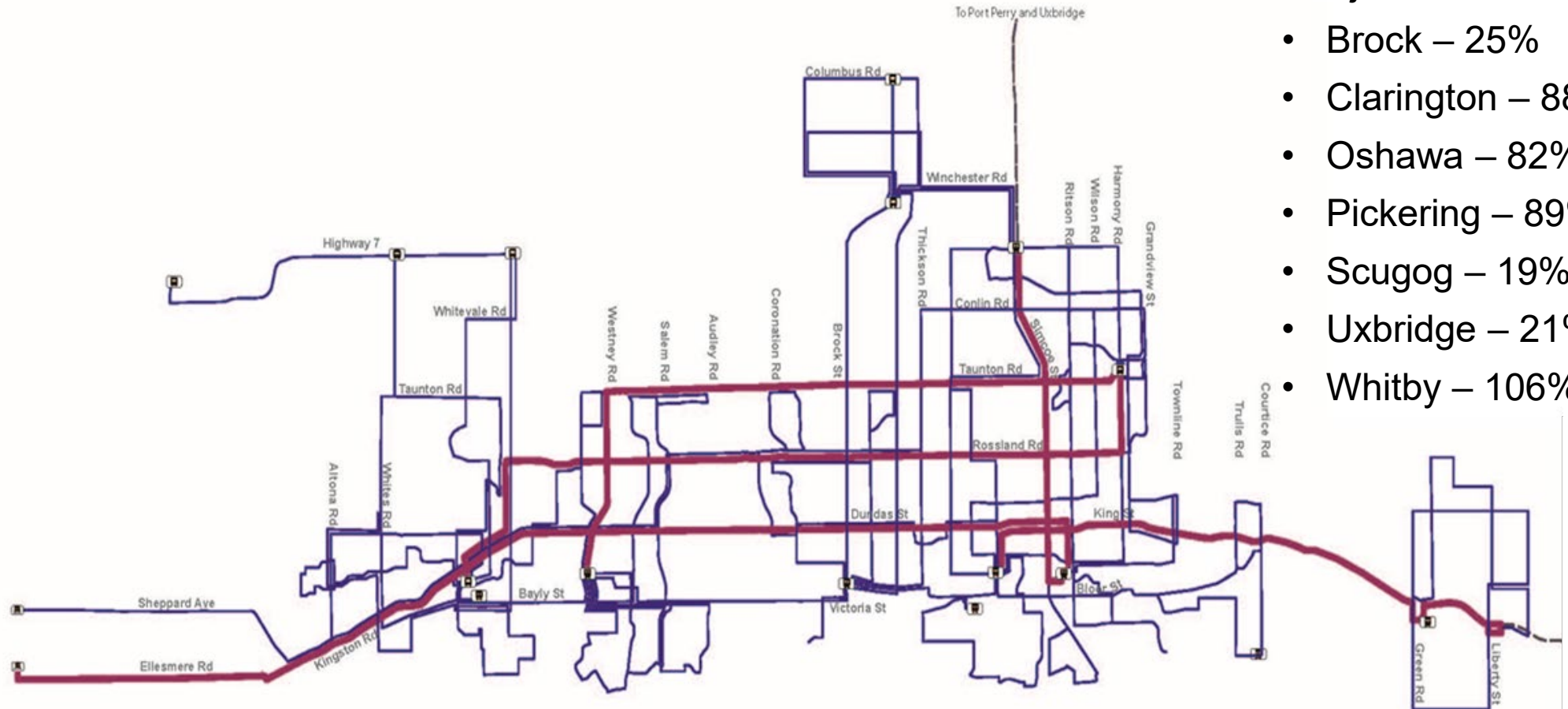








2032 Frequent and Available Transit Network

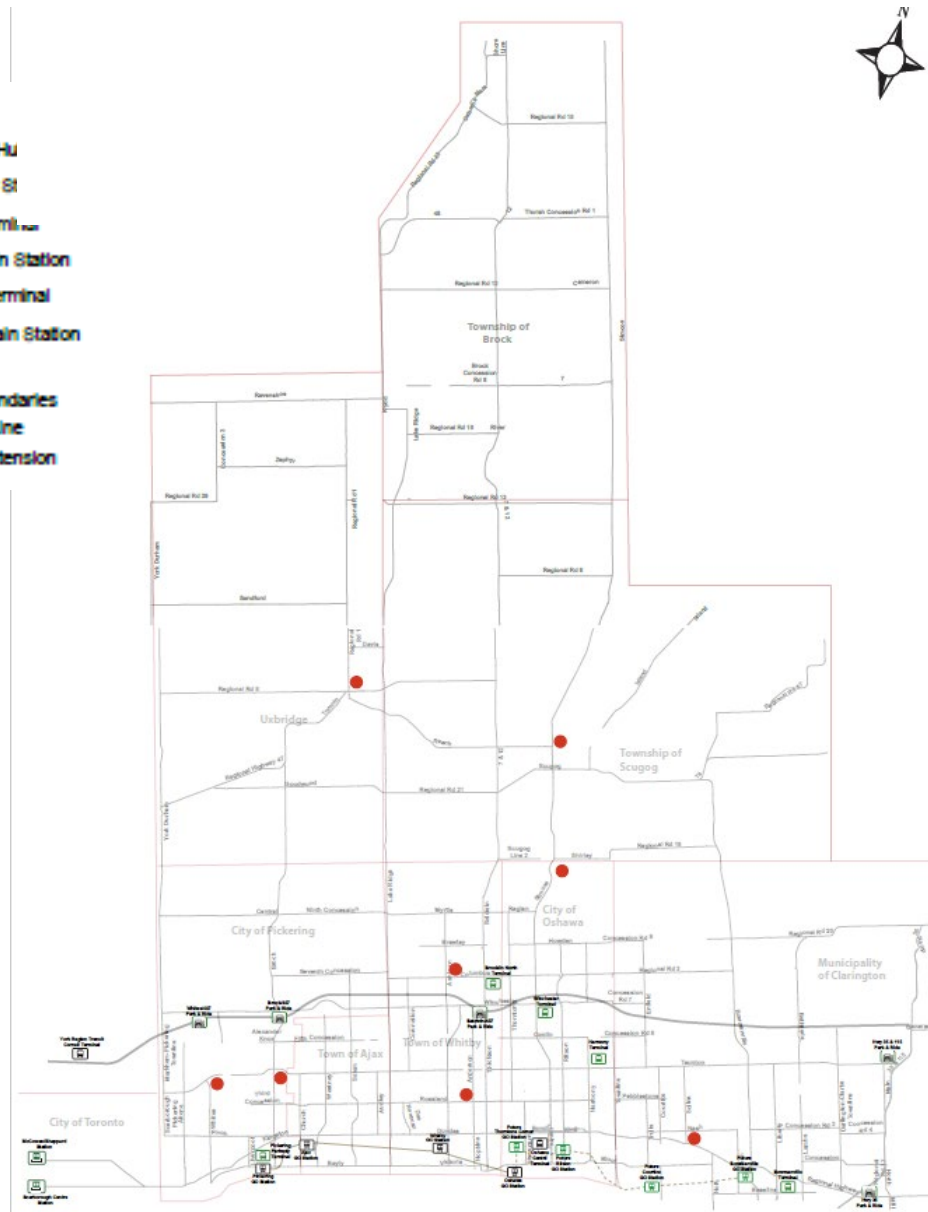
Revenue Service Hour Investment
(2023 – 2032)

- Ajax – 88%
- Brock – 25%
- Clarington – 88%
- Oshawa – 82%
- Pickering – 89%
- Scugog – 19%
- Uxbridge – 21%
- Whitby – 106%



2032 Integrated Transit Network

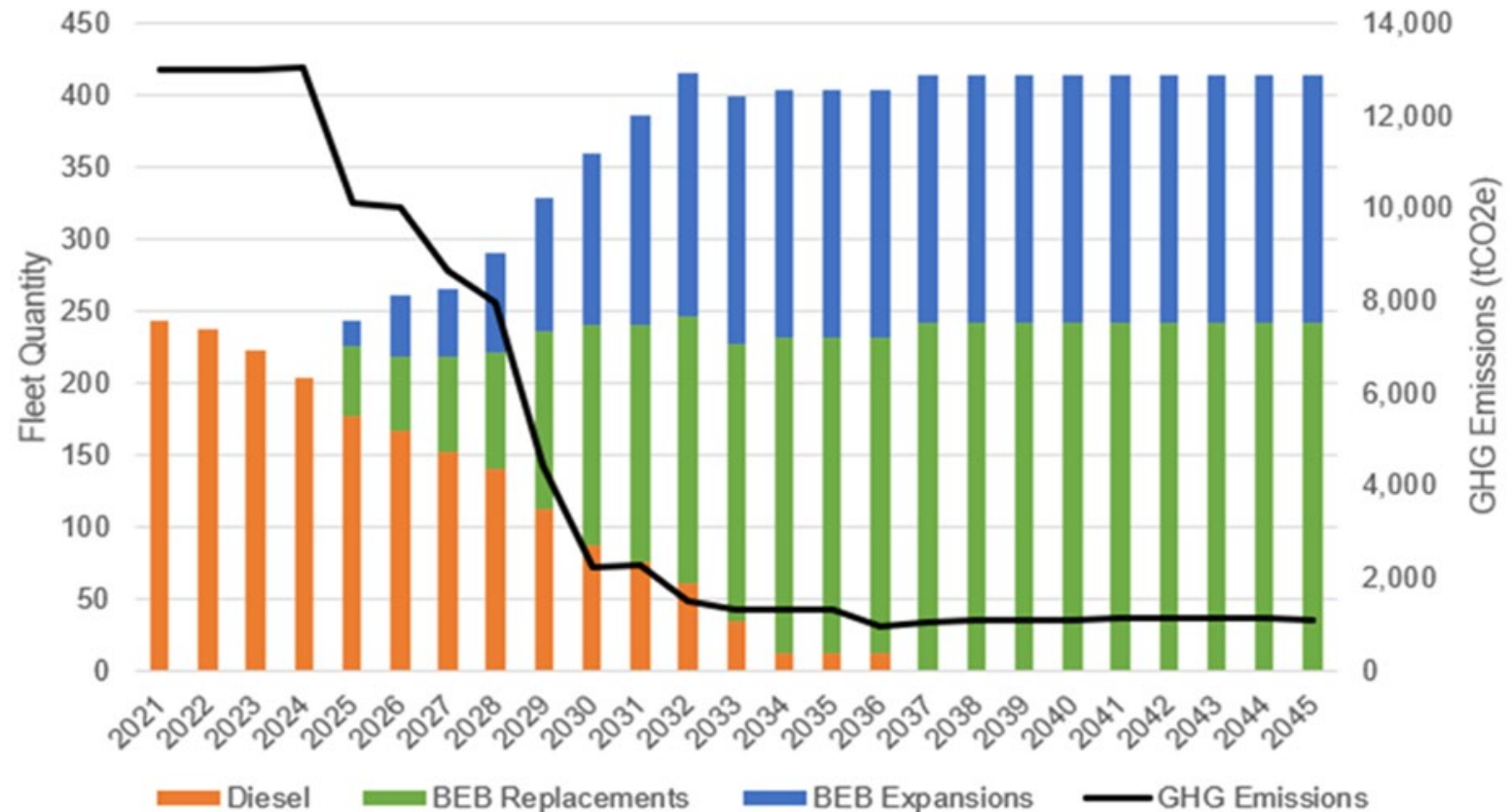
- Legend**
- Future Transit Hub
 -  Future Subway St
 -  Future Bus Terminal
 -  Future GO Train Station
 -  Existing Bus Terminal
 -  Existing GO Train Station
 -  Park & Ride
 - Municipal Boundaries
 - Existing Rail Line
 - Future Rail Extension



- Network Infrastructure
 - Transit Hubs, Terminals, Stations
 - Real-time information
 - Accessible
- Connected
 - Rapid Transit Integration
 - TTC Line 2 – Scarborough Extension
 - Metrolinx LSE Regional Express Rail
 - Regional Integration: Toronto, York Region, Simcoe, Kawartha

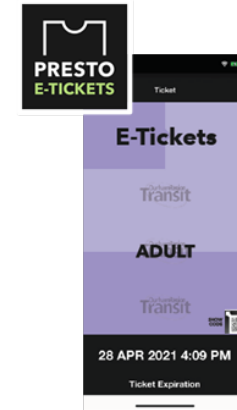
Transition to Zero Emission Vehicles

- E-Mission Zero fleet electrification plan approved by Council in June 2022
- 2037 target to transition fleet to zero greenhouse gas (GHG) emission vehicles
- Federal funding and financing available to support transition through 2026



Fare Modernization

- Proposed fare structure adjustments are consistent with DRT's Fare Strategy approved by TEC in December 2019
- Significant advancements made in the modernization of fare products including:
 - discontinuation of paper period passes
 - more than doubling use of PRESTO electronic fare payment
 - expanding channels including E-Tickets and open payment
- Continue to offer discounted fares for children (Kids Ride Free), youth, seniors and persons receiving social assistance benefits, in addition to U-Pass and bulk purchase program for school boards
- Transit Assistance Program (TAP) to be made permanent and eligibility expansion to other income-tested support programs to be reviewed





Proposed Fare Structure

- Fare adjustments proposed to be linked to any changes to the base fare on a proportional or trip equivalent basis
- For 2023, 10 cent adjustment proposed to base fare to take effect July 1, 2023
- Cash fare premium increased by \$0.25 from \$0.75 to \$1.00 per DRT Fare Strategy
- Base fare adjustments similarly applied to fare incentive programs
- DRT to review options for employer-based bulk purchase program

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Fare Category		Current Fare	Proposed Structure	Proposed Fares effective July 1, 2023 (including \$0.10 base fare adjustment)	Per cent Change
Adult	Single Ride (PRESTO Card and E-Ticket)	\$3.25	Base fare	\$3.35	3.1
	Single Ride (Cash and PRESTO Open Payment)	\$4.00	\$1.00 over base	\$4.35	8.75
	Monthly Pass	\$117.00	36 trips at base fare	\$120.60	3.1
Child (aged 12 years and under)	All rides	Free	NA	NA	NA
Youth (aged 13-19 years)	Single Ride (PRESTO Card and E-Ticket)	\$2.90	90 per cent of base fare	\$3.00	3.4
	Single Ride (Cash)	\$4.00	Equivalent to Adult cash fare	\$4.35	8.75
	Monthly Pass	\$93.50	80 per cent of Adult pass	\$96.50	3.2
Senior (aged 65 years and over)	Single Ride (PRESTO Card and E-Ticket)	\$2.15	66 per cent of base fare	\$2.20	2.3
	Single Ride (Cash)	\$2.75	\$1.00 over single ride senior PRESTO fare	\$3.20	16.4
	Monthly Pass	\$46.00	40 per cent of Adult pass	\$48.25	4.9



DRT Charter Service

- Launch of DRT charter service proposed in 2023
- Enable public and third party booking of 12 metre DRT buses for transportation and event purposes
- Charter rates proposed at full cost recovery basis considering all expenditures (operation, supervision, planning, servicing) of vehicle
- Recommended rate is \$925.00 for a minimum four hour booking
 - \$505.00 for each additional bus
 - \$130.00 for each additional hour
- Report back as part of 2024 business plans and budget process on initial results and any program adjustments

Cost Pressures and Financing Opportunities

Cost Pressures

- Ongoing COVID-19 impacts and phase out of Safe Restart Funding
- Cost escalations and volatility in fuel, insurance, construction costs for new facilities
- Debt servicing implications on operating budget
- Bill 23 (More Homes Built Faster Act, 2002) impacts on transit development charges

Financing Opportunities

- Canada Infrastructure Bank
- Zero Emission Transit Fund
- Investing in Canada Infrastructure Program
- Federal Permanent Transit Fund
- Ontario Gas Tax
- Development Charges
- Reserves/reserve funds
- Fare adjustments
- Property tax increases



10-Year Durham Region Transit Forecast

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total 2023-2032
Service Hour Increases (Number of Hours)	27,178	69,882	65,701	68,512	64,678	65,243	66,799	69,482	76,096	78,824	652,393
Service Hour Increases (% Change)	5%	13%	11%	10%	9%	8%	8%	7%	8%	7%	
Budgeted Electric Bus Purchases	22	36	49	38	46	26	19	24	30	35	325
Electric Buses as a Percent of Bus Fleet	12%	29%	45%	55%	65%	72%	77%	82%	87%	91%	
Transit Gross Budget Requirement (\$'000's)	\$199,469	\$418,902	\$253,476	\$271,034	\$273,963	\$240,150	\$228,227	\$245,751	\$395,874	\$298,365	

Plan supports delivery of Council approved strategic priorities including:

- increasing transit service levels aligned with Transportation Masterplan
- transitioning DRT fleet to zero emission technologies
- investing in new transit innovations, infrastructure and passenger amenities
- modernizing DRT's fare structure



10-Year DRT Forecast Continued

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Increase in Transit's General Levy Requirement (\$'000's)	\$11,640	\$18,484	\$34,619	\$32,989	\$36,413	-\$24,705	-\$13,557	\$8,058	\$30,213	\$6,035
Increase in Transit's General Levy Requirement (% change)	17%	23%	35%	25%	22%	-12%	-8%	5%	17%	3%
Preliminary Modelled Impact On Overall Regional Tax Levy (% Change)	1.53%	2.39%	4.45%	4.15%	4.59%	-3.10%	-1.84%	1.08%	3.93%	0.76%

- Operating expenditures are projected to increase by \$132.9 million (131 per cent) from \$101.2 million in 2022 to \$234.1 million in 2032 with total capital expenditures estimated at \$1.1 billion over the 10-year plan
- Significant Regional investment required along with continued advocacy to senior orders of government for additional funding
- Forecast leverages all known senior government funding and assumes approval of federal Zero Emissions Transit grant funding for new Thornton Depot and electrification infrastructure
- Requires \$183.3 million in funding from reserves and reserve funds, \$127.2 million in development charges, \$101.2 million in provincial gas tax and \$184.2 million in debenture financing (annual debt servicing costs increase to \$17.5 million)
- Modelling of the potential property tax impacts is prior to applying potential federal permanent transit funding and other federal and provincial funding opportunities that may arise
- The annual property tax impacts will be reviewed and updated annually based on funding confirmations and current information with a goal to smooth out the annual property taxpayer impacts

Risk and Considerations

- Future sustainability of Ontario Gas tax funding and approval of federal funding
- Financial impacts of Bill 23 (More Homes Built Faster Act, 2002)
- Revenue/ridership recovery from pandemic (impacts on fare, U-Pass and advertising revenues)
- Debt servicing impacts, including the cost of borrowing
- Capital cost escalations
- Achievement of fuel and maintenance savings associated with fleet electrification
- Near term supply chain and labour challenges
- Uncertainty/volatility of fuel pricing, insurance
- Future infrastructure expansion as part of the Lakeshore East GO Train extension and Durham-Scarborough Bus Rapid Transit

Conclusions

- The Transit Service and Financing Strategy outlines the level of investment required to realize Council's vision for transit in the Region
- Building a first-class transit system in a world-class Region will require significant investment and funding from the Region and senior orders of government
- The 10-year Transit Service and Financing Strategy is a starting point:
 - will be subject to annual investment approvals through the Region's business planning and budget process
 - will be reviewed every four years, or earlier as necessary, as additional information and funding are made available
 - will be integrated into the Region's communication and intergovernmental advocacy strategies to further raise awareness of funding needs



Questions?